## **Summary:**

## **Organizational Evaluation**

### **Performance Measures**

FY 2012-2013



The following summary includes highlights categorized by goal and does not encompass the full range of the agency's accomplishments during Fiscal Year 2012-2013 (FY 12-13). For a more detailed review, please refer to the *ORS Organizational Evaluation: Performance Measures FY 12-13* and to the *ORS Accountability Report FY 12-13*.

Mission: The ORS represents the public interest by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina.

Goal: The ORS is responsive to the public.

- ♦ Consumer Complaints and Inquiries. Processed approximately 2,799 complaints and inquiries and saved consumers approximately \$3,198,673. Of this total, \$3 million is an annually recurring savings resulting from a facilitated agreement in FY 2006-2007 between an electric investor-owned utility and certain industrial customers to better utilize their energy consumption by taking advantage of cost savings through the offering of real-time price signals. Also, beginning with FY 12-13, a savings of approximately \$103,000 will recur annually and is reflected in the total. This substantial savings was the result of the ORS recovering this amount for a sewer customer. Over the past nine fiscal years (FY 04-05 through FY 12-13), the Consumer Services Department has recovered or saved consumers a total of approximately \$23 million.
- ♦ Deposit Waiver for Domestic Violence Victims. Benefited 24 individuals who were victims of domestic violence. This program resulted from an innovative agreement facilitated by the ORS with each of the investor-owned electric and gas utilities and women's shelters to waive the initial credit and deposit requirements for domestic violence victims. Since inception, the program has benefited 259 individuals.
- ◆ Lifeline. Distributed over 54,000 Lifeline brochures across South Carolina and fielded over 5,500 calls from consumers. Promoted Lifeline Awareness Week in partnership with the Public Service Commission and the Office of the Governor.
- ◆ Pipeline Safety Seminar. Hosted the 2013 Southern Region Conference of the National Association of Pipeline Safety Representatives (NAPSR) in Myrtle Beach. Approximately 45 pipeline safety representatives from the 8 states and Puerto Rico, which compose the Southern Region, were in

attendance. The NARUC Bulletin included a full-page coverage of the conference. In addition, the ORS Pipeline Safety Supervisor served as Chairman of the Southern Region of the National Association of Pipeline Safety Representatives.

- Pipeline Safety Safe Digging Month. Promoted national Call Before You Dig Month. This campaign was designed to promote awareness of safe digging and damage prevention with regard to buried utility facilities, and Governor Haley issued a proclamation declaring April as Safe Digging Month in South Carolina.
- Education for Water/Wastewater Utilities. Co-hosted a Water and Wastewater Workshop with the PSC that was attended by approximately 40 representatives of water and wastewater utilities. Topics addressed by ORS staff members in their presentations included billing innovations, security and privacy of customer accounts, the S.C. Energy Assurance Plan, emergency preparedness, proceedings and filings at the PSC, rate application preparation and asset management, and water system auditing and loss prevention.
- ♦ Education for Transportation Passenger Carriers. Transportation forums hosted by the ORS were held around the State in Florence, Greenville, and North Charleston, with attendance averaging about 40 at each location.
- ◆ Community Meetings. Attended community meetings and public hearings to gain consumer input on proposed utility rate increases and service issues
- ◆ Accessibility to Stakeholders. Followed a policy of accessibility and responsiveness to all stakeholder groups. In FY 12-13, the ORS responded to 55 requests from the Governor's Office and members of the S.C. General Assembly and 99 requests from the media.

# Goal: The ORS promotes excellence in each regulated industry.

- ◆ Gains in Water/Wastewater Annual Report Compliance. Achieved 99% compliance in Water/Wastewater utilities' submission of annual reports.
- ♦ Maintaining 100% Water/Wastewater Performance Bond Compliance. Maintained the 100% compliance level for water/wastewater companies complying with performance bond regulations for the third year in a row.

- ◆ Natural Gas Pipeline Safety. Received a perfect program score of 100 for Calendar Year 2011 from PHMSA (Pipeline and Hazardous Materials Safety Administration). Other major activities included filing a petition concerning an 8-inch active distribution main gas pipeline running beneath an occupied house and a warehouse in Laurens. Also, the ORS sent a notification to natural gas system operators requesting that they inform the agency of any existing distribution main or transmission pipelines running beneath existing buildings or structures.
- ◆ Regulatory Reviews and Audits. Conducted a total of 283 regulatory reviews and audits.
- ◆ Lifeline. Conducted 10 compliance audits of wireless Lifeline companies as part of the increased nationwide Lifeline focus on compliance and preventing waste, fraud, and abuse in Lifeline programs.
- Consumer Advisory to Water/Wastewater Customers. Issued a consumer advisory via the media concerning the ORS' filing of a petition to require Tega Cay Water Service, Inc. to take immediate steps to provide adequate and proper service to its customers. In 2013, the utility had spills ranging from 50,000 to 100,000 gallons on at least 3 occasions in multiple locations. In each spill, partially treated wastewater was released and entered Lake Wylie and other locations.
- ◆ Transportation Collaborative. Continued to participate in a multi-state collaborative designed to allow states to partner with the federal government to enforce federal laws regarding complaints against household-goods movers. Provided federal investigators with location and operational information on two illegal interstate household goods movers who were using fake South Carolina addresses.
- ◆ Transportation Enforcement. Focused on both planned and random compliance audits as well as site visits around the State. ORS inspectors conducted over 5,000 vehicle inspections during the fiscal year.
- ♦ S.C. Equipment Distribution Program. Began the process of moving the S.C. Equipment Distribution Program to the ORS. The program provides adapted telephones and alerting devices to South Carolina residents with qualifying speech and/or hearing disabilities.
- ◆ Railroad safety. Conducted both track and motive power and equipment inspections around the State including Greenville/Laurens, Lancaster, Florence, Bennettsville, Charleston, Chester, Hemingway, Columbia, Yemassee, Sumter, Cayce, Dillon, Clinton, Andrews, and Spartanburg, among others. Several roadway-worker protection audits were also conducted around the State. In addition, an ORS inspector attended a

Federal Railroad Administration claims conference. For several years, South Carolina has been the only state invited to attend the conference.

## Goal: The ORS' operations provide value to the citizens of South Carolina.

#### <u>Settlement Savings:</u>

During Fiscal Year (FY) 12-13, the ORS facilitated **32** settlements and agreements. Total projected savings is over **\$83 million**. Some of these savings are associated with the Duke-Progress merger case from FY 11-12 but were realized during FY 12-13. Below is a detailing of the over \$83 million in savings for FY 12-13.

Matters	Savings (\$)
Duke Energy Annual Fuel Review	\$2,086,656
SCE&G RSA	\$1,251,000
Piedmont Natural Gas RSA	\$2,400,000
Interim LEC Fund	\$8,412,669
SCE&G BLRA request for revised rates	\$4,598,087
SCE&G Rate Case	\$54,426,072
Duke-Progress Merger addt'l settlement	\$8,870,892
savings	
Palmetto Wastewater Rec. d/b/a/ Alpine	\$482,736
Utilities	
Carolina Water Service-Beaufort Co. non-	
settlement savings	\$437
Chem Nuclear	\$50,501
JACABB Utilities	\$9,235
Tega Cay non-settlement savings	\$304,476
Duke Energy Progress Annual Fuel Review	\$200,000
Carolina Water Service non-settlement	\$4,102
savings	
Total	\$83,096,863

A few notable cases are summarized below:

**Duke Energy 2012 Annual Fuel Review (2012-3-E)** The ORS filed its testimony on August 10<sup>th</sup>, 2012, and the hearing was held on August 28<sup>th</sup>. The ORS facilitated a settlement in the case that resulted in savings to South Carolina retail customers of **\$2,086,656**.

SCE&G and Piedmont Natural Gas RSAs. (2012-6-G and 2012-7-G) SCE&G and Piedmont Natural Gas (PNG) filed RSA comments with revised rates in response to the ORS' recommendations that were filed on September 1, 2012. The ORS' recommendations equate to savings for customers of \$1,251,000 for SCE&G and \$2,400,000 for PNG. These savings are reductions from the companies' original requests. The revised rates were effective in the first billing cycle of November.

**South Carolina Interim LEC Fund Adjustment (2012-136-C)** The S.C. Interim LEC Fund (SC ILF) for 2012 was set at \$32.6 million and was allocated to telecommunications companies based on their South Carolina originated long-distance minutes of use. In response to FCC Order 11-161 and with the support of the industry, the SC ILF for 2013 was reduced to approximately \$15 million. This reduction, on an annualized basis, equates to **\$8,412,669** for FY 12-13, with an additional \$11 million in FY 13-14.

**SCE&G NND Revised Rates Adjustment.** (2012-186-E) In July 2012, the ORS filed its report on SCE&G's annual request for revised rates for V.C. Summer Units 2 and 3 under the Base Load Review Act. The ORS reported that it had examined SCE&G's actual construction expenditures related to V.C. Summer Units 2 and 3 and determined that as of June 30, 2012, the Company had expended \$1,540,355,000 in construction work in progress on the Units. SCE&G issued a letter concurring with the ORS' conclusions and proposed adjustments contained in the report. The ORS proposed a rate reduction of \$4,598,087 from the Company's original request.

**SCE&G Rate Case (2012-218-E)** After months of diligent preparation, the ORS presented eight witnesses at the November 2012 hearing. In addition to the merits hearing, three night hearings were held – one in Aiken, one in Charleston, and one in Columbia. In addition to significant public input in this case, media coverage was also extensive with prominent articles and editorials in *The State*, *The Post and Courier*, *The Augusta Chronicle*, various trade publications, and on several television stations.

In the days preceding the hearing, a settlement was facilitated by the ORS and signed by intervenors with diverse interests – Wal Mart, the U.S. Department of the Navy, AARP, Time Warner, and Frank Knapp, Jr. (CEO of the S.C. Small Business Chamber) – along with SCE&G and the ORS.

The settlement signified that no contested issues remained among the signing parties and represented a consensus of support for setting SCE&G's Return on Equity opportunity at 10.25%. In the settlement, the amount of requested increase was lowered to 4.23%, or approximately \$97 million, from the original requested increase of 6.6%, or approximately \$152 million. Savings to customers were \$54,426,072.

Furthermore, when taking into account an accompanying SCE&G request in its application to further lower the rate increase by 2.85% (reflecting lower natural gas fuel costs the Company will incur and also a reduction in DSM costs), the net impact to customers is an increase of 1.38%, or \$32 million. For an SCE&G residential customer using an average of 1,000 kilowatt hours of electricity monthly, this net increase equates to \$2.59 more per month, or about \$31 a year.

Additional savings from Duke-Progress merger (2011-158-E and 2011-68-E) In FY 11-12, the ORS reached an agreement with Duke Energy and Progress Energy for certain commitments related to the merger and the companies' revised mitigation plan filed in response to conditions outlined by the Federal Energy Regulatory Commission (FERC). The agreement seeks to ensure that retail customers are not asked to bear merger costs likely to be incurred if the FERC accepted the latest merger proposal of Duke and Progress. Savings to South Carolina customers as a result of the ORS' intervention in the merger were estimated at \$198,000,000, as reported in FY 11-12 ORS accountability and performance reports. The recently updated estimated savings to South Carolina customers are approaching \$207 million, with additional savings of approximately \$8,870,892 reported in FY 12-13.

Palmetto Wastewater Reclamation d/b/a Alpine Utilities (2012-094-S) The ORS facilitated a settlement of Palmetto Wastewater Reclamation d/b/a Alpine Utilities case that generated a savings to customers of \$482,736.

**Tega Cay Water Service, Inc. (2012-177-WS)** The ORS presented 3 witnesses at the January 2013 merits hearing. There were over 700 protestants in the case. Non-settlement savings generated for customers by efforts of the ORS were **\$304,476**.

**Duke Energy Progress (DEP) 2013 Annual Fuel Review (2013-1-E)** The ORS facilitated a settlement agreement among all parties – the ORS, DEP, and Nucor Steel – that updated DEP's request resulting in a reduction of approximately \$2 million, which saved customers **\$200,000**.

**Duke Energy Rate Case. (2013-59-E)** Duke Energy filed its request for a rate increase on March 18, 2013. Duke sought additional revenues of \$220 million, a 15.1% increase. In that scenario, the monthly bill of a residential customer using 1,000 kilowatt-hours would increase from the present \$100.45 to \$118.28, or an increase of 17.75%. By comparison and using the same parameters, Progress Energy's bill is \$104.87 and SCE&G's bill is \$138.11.

Over 1,700 protests were received, the majority of which were from North Carolina. Turnout at night hearings was high as many citizens, particularly those on fixed incomes, were concerned about the possible increase in their electric rates.

ORS auditors and analysts reviewed the company's filing including return on equity, cost of service study, and pro forma adjustments. In addition, the ORS was in consultation with the North Carolina Public Staff regarding Duke's rate case filing in North Carolina, for which a settlement had already been reached.

Prior to the July 31<sup>st</sup> merits hearing, the ORS facilitated a settlement agreement signed by all parties to the case. Intervenors were Wal-Mart, Sam's East, Inc., the S.C. Energy Users Committee, the Small Business Chamber of Commerce, the City of Spartanburg Commission of Public Works, and the City of Spartanburg Sanitary Sewer District.

At the time of this writing, savings to customers as a result of the settlement are estimated at \$101 million. These savings will be reported in FY 13-14.

#### **Other Matters**

Piney Grove Utilities, Inc. Performance Bond Case (PSC Docket 2005-110-WS; Richland County Court of Common Pleas 2008-CP-40-2772) In November 2012, the ORS obtained an order from the Fifth Circuit Court of Common Pleas on an action filed in 2008 to enforce orders of the PSC. This judgment concludes a case which began in 2005 when the ORS filed a petition against Piney Grove Utilities, Inc. By that petition, the ORS requested, among other things, forfeiture of the performance bond posted by the utility. Each utility providing water and/or wastewater service is required to furnish a performance bond conditioned upon the provision of adequate and sufficient utility service. In this matter involving Piney Grove Utilities, Inc., the service provided by the utility had deteriorated such that DHEC was investigating the utility, and a receiver was needed to assume operations of the utility.

Receivers were appointed by the Circuit Court, and the ORS sought forfeiture of the performance bond to pay the receivers. When the sureties on the performance bond did not pay, the ORS filed an action against the sureties on the bond to enforce the orders. The ORS obtained a judgment against one of the sureties in the amount of \$46,605 and obtained \$8,000 from another surety. The ORS received and disbursed the \$8,000 to Richland County and DHEC. At the time of this writing, the civil judgment for the \$46,605 remains on the judgment roll for Richland County.

#### **Economic Development:**

◆ The settlement of cases benefits all parties involved, and the process of settlement used in South Carolina and facilitated by the ORS has been cited as a model for other states. Since its inception, the ORS has facilitated a total of 374 settlements and agreements with monetary savings of over \$1.4 billion. As noted by many economists and professional analysts, settled cases often result in a better rating of the state's regulatory environment. Better ratings encourage investment in the State's utilities, thus furthering **economic development** in South Carolina. The ORS has been lauded for its ability to facilitate settlement agreements that strike an equitable balance between the interests of **consumers** and **regulated utilities**.

- Economic and Regulatory Outreach. During FY 12-13, the Executive Director briefed representatives of national investment firms and trade publications on issues of interest to them in South Carolina, including the State's regulatory environment, the SCE&G rate case, and the Duke-Progress merger.
- Industry Recruitment and Retention. Provided 42 comment letters regarding requests by electric and gas utilities for various financing options, special purchases, tariff modifications, or industrial incentives, which generally aid in the recruitment of new industry, retention of existing industry, and the financial health of South Carolina. Several of these letters directly pertained to economic development in the State. Examples of economic incentives supported include:
  - Applications from Duke Energy Progress (DEP) and SCE&G for approval of electric and gas contracts with Continental Tire for a new facility in Sumter County that will create approximately 1,600 jobs at full production capacity with a projected capital investment in excess of \$500 million.
  - SCE&G's application for approval of a contract for electric service with Sarlaflex, a company that will produce yarn and threads at its new facility to be located at the Industrial Park in Walterboro (Colleton County). This plant is expected to create 100 new jobs with a capital investment of \$13.8 million.
  - An application from SCE&G for approval of a contract for electric service with Nexans High Voltage USA, Inc. This high voltage power cable manufacturing plant is planned for the Bushy Park Industrial Complex in Berkeley County. It is expected to create 200 jobs with an initial investment of \$85 million. An additional manufacturing line may be added at the plant within the first five years.
  - SCE&G's request for approval of a contract for electric service with a new major pharmaceutical company, Nephron Pharmaceuticals Corporation, that will eventually encompass approximately 955,000 square feet of new facilities in the Saxe-Gotha Industrial Park in Cayce, South Carolina. It is projected to employ 707 workers with a total investment of \$313 million.
- ◆ SCE&G's V.C. Summer Units 2 and 3. As mandated by the Base Load Review Act, continued oversight of the construction progress and costs

associated with SCE&G's new nuclear units 2 and 3 at the V.C. Summer plant. Oversight includes periodic tours of the construction site; bi-monthly on-site document reviews; monthly meetings with New Nuclear Deployment personnel regarding construction status; quarterly reviews and reporting on SCE&G's construction budget and schedule; quarterly meetings with SCE&G and the general contractor, Westinghouse; and participation in Nuclear Regulatory Commission meetings regarding approval of the Westinghouse AP 1000 design for the units.

Construction reached a new milestone as the nuclear island basemat for Unit 2 was put in place in March 2013. Since that time, the pace of construction has accelerated. The ORS is monitoring ongoing challenges that could affect the project including design changes, labor conditions, shipping conditions, and the financial stability of manufacturers due to foreign financial market conditions, among others.

◆ Energy Efficiency Efforts. Continued to work with stakeholders in developing the best future for South Carolina in terms of its energy needs and economic development. This effort included collaborating with the S.C. Energy Office, investor-owned utilities, the electric cooperatives, the Energy Advisory Council of the State Regulation of Public Utilities Review Committee, the Eastern Interconnection States Planning Council, the Small Business Chamber of Commerce, the Carolinas Collaborative, the SCE&G DSM-EE Advisory Committee, Palmetto Clean Energy (PaCE), and others.

# Goal: The ORS is alert and anticipates state and federal regulatory and industry developments and their effects on South Carolina.

Monitored and took action when necessary in federal and state regulatory and marketplace developments -- on behalf of the balanced concerns of the public interest -- to include the following:

◆ Federal Universal Service Fund (USF) and Inter-carrier Compensation Reform. At the federal level, rule changes were implemented by the Federal Communications Commission (FCC) in FY 11-12 with regard to reform of the Federal USF, Eligible Telecommunications Carrier (ETC) designation, and Inter-carrier Compensation. Beginning in FY 11-12 and continuing into FY 12-13, the ORS evaluated how these changes would affect state programs and took appropriate action. Carriers were required to file updated tariffs, and the ORS has been working with carriers on the tariff changes. In addition, staff continued working with industry representatives to begin a draw-down of the terminating-access portion of the S.C. Interim LEC Fund (ILF) that is consistent with the FCC Inter-carrier Compensation Reform orders and subsequently developed a preliminary sizing of the ILF reduction required by the reform.

- ◆ AT&T Petition to FCC. The ORS is monitoring a petition filed by AT&T with the FCC regarding a transition of telecommunications technology from TDM (older technology using dedicated lines) to IP (newer Internet Protocol technology based on more efficient network architecture). AT&T's petition involves a request for further deregulation for the Company due to the increasing use of IP technology.
- ◆ Transcontinental Interstate Gas Filing with FERC (RP12-993-000) The ORS continues to monitor the Transcontinental Interstate Gas filing with the Federal Energy Regulatory Commission (FERC) that would impact prices for gas systems in South Carolina, both investor-owned (SCE&G and Piedmont Natural Gas), as well as others. As of this writing, Transco, the FERC trial staff, and the active parties in the docket have reached an agreement in principle resolving the issues in the proceeding. The FERC administrative law judge has stayed the procedural schedule as the parties work on a comprehensive settlement agreement. Transco filed a status report on July 30, 2013, and the parties are working toward filing a final Stipulation and Agreement by August 30, 2013.
- Best Practices. Attended industry-specific workshops and meetings both regionally and on the national level to discuss various trends and emerging issues that could affect South Carolina's utility customers.

# Goal: The ORS' operations are marked by professional excellence.

- ◆ Budget. Continued to monitor expenses and streamlined processes to provide cost savings. For example, reduced the cost of data processing services by 1) collaborating with the S.C. Department of State Information Technology to reduce monthly charges and 2) evaluating computer needs to reduce the number of machines in use.
- Annual Staff Development. Continued staff development and training for the delivery of outstanding services and a deeper understanding of the regulatory environment and regulated utility industries. Also, fostered the commitment to education and career development through classes, seminars, conferences, site visits, and special meetings.
- Ethics. Provided 6 hours of annual ethics training for all ORS employees.

- Workforce Planning. Continued to assess staff work functions and reorganized certain staff to optimally address the agency's major programmatic needs.
- Collaboration. Worked collaboratively with federal, state, and local agencies and organizations to further the mission of the ORS. Coordination of services among these organizations has been a priority to effectively meet the mandates of Act 175 and to efficiently utilize funding provided by utilities and, ultimately, the consumers.

#### State and local agencies and organizations include:

- Governor's Office
- S.C. General Assembly
- State Regulation of Public Utilities Review Committee (PURC)
- S.C. Public Service Commission
- S.C. Emergency Management Division
- S.C. Budget and Control Board Energy Office
- S.C. Budget and Control Board -- Division of State Information Technology
- S.C. Business One Stop (SCBOS)
- S.C. Council on Aging
- S.C. Department of Health and Environmental Control
- S.C. Department of Social Services
- S.C. Department of Health and Human Services
- S.C. Highway Patrol
- S.C. Insurance Reserve Fund
- S.C. Interagency Transportation Coordination Council
- S.C. Department of Parks, Recreation, and Tourism
- S.C. Department of Natural Resources
- S.C. Department of Commerce
- S.C. Department of Revenue
- S.C. Tariff Bureau
- S.C. Department of Transportation
- Santee Cooper
- State Climatology Office
- SC-ETV
- Fleet Management
- State Transport Police
- S.C. Energy Users Committee
- Carolinas Collaborative
- S.C. Solar Council
- S.C. Telephone Association
- S.C. Truckers Association
- S.C. Association of Municipal Power Systems
- Electric Cooperatives of S.C.
- Richland County

- City of Cayce
- City of Greenville
- City of Columbia
- Community Action Agencies
- Community Development Corporation
- Common Ground Alliance
- Medical Transportation Advisory Committee
- Midlands Regional Transit Authority
- Midlands Utility Coordinating Committee (gas pipeline)
- Operation Lifesaver
- Sistercare, Inc.
- Palmetto Clean Energy (PaCE)
- Pee Dee Coalition Against Domestic Violence
- Safe Harbor, Inc.
- Business Licensing Officials Association
- S.C. Biomass Council
- S.C. Businesses for Clean Energy
- S.C. Municipal Association
- S.C. Regional Transmission Planning Stakeholder Group
- SCE&G DSM/EE Advisory Council
- S.C. Small Business Chamber of Commerce
- S.C. Appleseed Legal Justice Center
- Southern Environmental Law Center
- University of South Carolina (i.e., Clean Energy and Jobs Forum)
- Transportation Association of South Carolina
- Telephone Relay System Advisory Committee
- Telephone Equipment Distribution Program Advisory Committee
- S.C. School for the Deaf and Blind
- State ETC Coordinating Group
- S.C. Office of Rural Health

#### Regulatory organizations, federal agencies, and related groups include:

- National Association of Regulatory Utility Commissioners (NARUC)
- Southeastern Association of Regulatory Utility Commissioners (SEARUC)
- Eastern Interconnection States Planning Council (EISPC)
- National Regulatory Research Institute (NRRI)
- Federal Energy Regulatory Commission (FERC)
- Commodity Futures Trading Commission (CFTC)
- Nuclear Regulatory Commission (NRC)
- Federal Communications Commission (FCC)
- Surface Transportation Board (STB)
- Pipeline and Hazardous Materials Safety Administration (U.S. DOT)
- Federal Railroad Administration (FRA)
- Federal Motor Carrier Safety Administration
- Universal Service Administrative Company (USAC)

- U.S. Congress
- U.S. General Accounting Office (GAO)
- U.S. Department of Energy
- U.S. Environmental Protection Agency
- U.S. Department of Defense Department of the Navy
- Atlantic Compact Commission
- American Council for an Energy Efficient Economy (ACEEE)
- Consumers for Rail Equity (CURE)
- Gas Technology Institute
- Coal Institute
- Association of Energy Engineers
- Oklahoma Utility Coordinating Committee
- Southeastern Association of Telecommunications Officers and Advisors
- National Association of Pipeline Safety Representatives